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SUBJECT: NIGERIA: TELECOMMUNICATIONS ROUNDUP

REF: (A) LAGOS 524, (B) 03 LAGOS 2565

1. (U) Summary: Recent conversations suggest the Nigerian telecommunications industry is evolving rapidly. Officials at Nigeria's Bureau of Public Enterprises (BPE) say they hope to take NITEL public in June; M-Tel executives say they expect to complete the installation of a 1.2 million line mobile network in August; and executives at Nigeria's largest fixed wireless operator, Odua Telecommunications, say they hope to complete the construction of a five-state network in December. End summary.

NITEL: Plans for a June IPO

2. (U) BPE officials say they hope to sell 20 percent of the GON's shares in Nigeria's national operator, Nigerian Telecommunications Limited (NITEL), in an initial public offering in June. The company's shares have not been valued, but the BPE's Director of Infrastructure and Networks, Irene Chigbue, says she expects the opening price to fall between N0.80 and N1 per share. If domestic investors snap up the 20 billion shares on offer as rapidly as some observers expect, NITEL may raise as much as \$150 million.

3. (U) BPE officials delayed the sale of an initial tranche of shares twice before (Ref A), but Chigbue believes NITEL is better prepared this time. The company's board recently approved a business plan and accepted an audit of the 2002 accounts, and BPE officials say the board will consider the firm's 2003 results within the next few weeks. With these, BPE and NITEL will be able to move ahead with an initial public offering, but only after selecting an issuing house, naming the various parties to the issue, winning Nigerian Securities and Exchange Commission approval, and preparing a prospectus.

4. (U) Chigbue added that two foreign firms, one from Singapore and the other from China, have expressed interest in purchasing the 51 percent controlling interest the GON hopes to sell to a core investor. If either firm submits a proposal to the BPE and initiates the competitive bidding process and subsequent sale, the GON will likely compensate NITEL's managers, Pentascope International, for the early termination of their three-year contract and turn the firm over to new parties. Chigbue says the GON would like nothing better than to see NITEL successfully privatized, particularly after a botched attempt in 2002. The firm's privatization, she says, remains one of the GON's top priorities.

M-Tel: A Slow Rollout, but a Rollout Nonetheless

5. (U) M-Tel executives admit having experienced delays rolling out their 1.2 million line mobile network, but CEO Aad Loois expects to complete 90 to 95 percent of the network within the next three months, with the remaining 5 or 10 percent coming online in August. Lines are selling rapidly, with total subscriptions sometimes doubling in two-week periods. Loois hopes to respond to that demand by beginning the installation of several hundred thousand additional lines in the fourth quarter.

6. (U) M-Tel awarded \$50 million contracts for the installation of its mobile network last March. Each of the three contractors, Motorola, Ericsson, and ZT of China, were expected to install 400,000 lines within four and a half months of the signing of letters of credit. These were signed last August, but difficulties clearing equipment through customs delayed construction until mid-November. Motorola's Country Manager, Raphael Udeogu, expects to complete the network's rollout in late March or early April, but he says only 30 or 40 percent of the network will be used, mostly because it lacks sufficient connections to NITEL's transmission backbone. Promised repairs and

extensions never materialized, so like other mobile service providers, Motorola has had to fill in the gaps. Udeogu hopes to win a multi-million dollar contract to supply much-needed connecting points later this year.

Odua: A Powerhouse Enters the Market

17. (U) Executives at Nigeria's leading fixed wireless operator, Odua Telecommunications, say they hope to complete the construction of a 1.1 million line fixed wireless network by the end of the year. The company's backbone is more than two-thirds complete, and it recently rolled out in two of the five southwestern states included in its 3.5GHz license (Ref B). Odua's Chief Technical Officer, Olusegun Owolabi, expects to introduce services in the remaining three within the next few months.

18. (U) Odua is well ahead of its competitors. Of the twenty-six firms that won 3.5GHz licenses in June 2002, only Odua has started operating. It bills itself as customers' "sure link" and emphasizes the reliability and affordability of its services. Calls cost as little as N4 (\$0.03) per minute, and customers can purchase pre-paid calling cards for as little as N200 (\$1.48). Subscribers have responded positively, and Owolabi expects to sell lines easily. Like other Nigerian operators, Odua will likely find that demand far exceeds supply.

19. (U) Comment: Despite privatization snags, rollout delays, and poor basic infrastructure, the Nigerian telecommunications sector is evolving rapidly. It continues to attract foreign investment, and it remains one of the fastest growing sectors of the Nigerian economy. Given Nigerians' insatiable demand for telecommunications services, the sheer size of the market, and operators' desire to profit, the telecommunications sector will likely remain one of the economy's strongest engines of growth. The sector's expansion should create lucrative business opportunities, particularly for U.S. firms. Motorola and Harris (Ref B) have already profited, and others would do well to follow their lead. End comment.

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